

**ANNUAL
FINANCIAL REPORT
OF THE
CITY OF WEBSTER CITY, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

**CITY OF WEBSTER CITY, IOWA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council
City of Webster City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of the City of Webster City, Iowa, (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012 on our consideration of the City of Webster City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for the retirees health plan on pages -- through -- and -- through --6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Webster City's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Williams & Legany, P.C.
Certified Public Accountants

Le Mars, Iowa
December 7, 2012

CITY OF WEBSTER CITY
Management Discussion and Analysis
For the year ending June 30, 2012

As management of the City of Webster City, we offer readers of the City of Webster City's financial statements this narrative overview and analysis of the financial activities of the City of Webster City for the fiscal year ending June 30, 2012. This section should be read in conjunction with the financial statements and the accompanying notes that follow. It should also be noted that the information contained here will provide information on both the governmental operations and the business type activities of the City.

Financial Highlights

- Asphalt resurfacing and street repairs continue throughout the City using local option sales tax money. In addition, with the renewal of this tax in 2012, this money is now also being used to repair and maintain water and sewer lines throughout the City.
- The City issued a GO Refunding Bond in November 2011 to refinance a GO Bond and lower the interest rate paid on the bond in order to save money.
- Interest rates on investments remain extremely low while assessed property values in the community have remained relatively stable. As a result, revenue growth has been limited.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Webster City's basic financial statements. The City of Webster City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Webster City's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the City of Webster City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the City of Webster City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving the rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Webster City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Webster City include public safety, public works, health and social services, culture and recreation, community and economic development and general government. The business-type activities of the City of Webster City include the operation of electric, water, and sewer utilities.

The government-wide financial statements include not only the City of Webster City itself (known as the primary government), but also a legally separate airport for which the City of Webster City is financially accountable and a trust known as the Fred Fuller Trust that was created for the sole benefit of the City. Financial information for these component units are reported separately from the financial information presented for the primary government itself. The Electric, Water, and Sewer utilities function as departments of the City of Webster City, and therefore have been included as an integral part of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Webster City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds for the City of Webster City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Webster City maintains 41 individual governmental funds. Information presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, second street reconstruction fund and debt service fund, of which all are considered to be major funds. Data from the other 38 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Webster City adopts an annual combined budget for all of its funds except private purpose trust funds and internal service funds. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

Proprietary Funds: The City of Webster City maintains different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Webster City uses enterprise funds to account for its Electric, Water, and Sewer utilities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Webster City's various functions. The City of Webster City uses an internal service fund to account for self-insured dental/vision insurance. The internal service fund will be found in the governmental activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water and sewer utilities, all of which are considered major funds of the City of Webster City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Webster City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The largest portion of the City of Webster City's net assets (64%) reflects its investment in capital assets (e.g. Land, Construction in progress, Land improvements, Structures and Improvements, Machinery and equipment, and Infrastructure) less any related debt used to acquire those assets that is still outstanding. The City of Webster City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Webster City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Webster City's Net Assets

	Governmental Activities		Business-type Activities		Total		Component Units	
	6/30/12	6/30/11	6/30/12	6/30/11	6/30/12	6/30/11	6/30/12	6/30/11
Current and other assets	\$ 12,183,252	\$ 10,100,420	\$ 34,569,785	\$ 16,247,960	\$ 46,753,037	\$ 26,348,380	\$ 3,187,121	\$ 3,340,244
Capital Assets, net of depreciation	26,359,202	27,973,866	19,670,242	19,590,954	46,029,444	47,564,820	31,500	32,340
Total Assets	38,542,454	38,074,286	54,240,027	35,838,914	92,782,481	73,913,200	3,218,621	3,372,584
Current and other liabilities	4,266,688	4,006,908	1,620,129	1,479,379	5,886,817	5,486,287	61,508	69,380
Non-current liabilities	5,297,345	5,857,800	3,430,414	21,080,615	8,727,759	26,938,415	-	-
Total Liabilities	9,564,033	9,864,708	5,050,543	22,559,994	14,614,576	32,424,702	61,508	69,380
Net Assets:								
Invested in capital assets, net of related debt	23,374,535	22,411,497	17,241,751	15,518,230	40,616,286	37,929,727	31,500	32,340
Restricted	3,313,622	3,226,482	399,168	1,142,427	3,712,790	4,368,909	-	-
Unrestricted	2,290,264	2,571,599	13,279,938	15,019,376	15,570,202	17,590,975	3,125,613	3,270,864
Total net assets	\$ 28,978,421	\$ 28,209,578	\$ 30,920,857	\$ 31,680,033	\$ 59,899,278	\$ 59,889,611	\$ 3,157,113	\$ 3,303,204

An additional portion of the City of Webster City's net assets 7.3% represents resources that are subject to external restrictions on how they may be used. The remaining balances of unrestricted net assets (\$17,309,640) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Webster City is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate business-type activities.

The government's net assets increased by \$1,183,253 during the fiscal year. Net assets in the governmental activities increased by \$768,843. The key element in the governmental activity increase is a result of the conservative budgeting and the close monitoring of the expenditures to ensure that the city maintain a strong financial position. Net assets in the business type activities increased by \$414,410.

Governmental Activities. Governmental activities increased the City of Webster City's net assets by \$768,843, thereby accounting for 53% of the total addition in the net assets of the City of Webster City. Key elements of this increase were as follows:

	City of Webster City's Changes in Net Assets				Total		Component Units	
	Governmental Activities		Business Type Activities		6/30/2012	6/30/2011	6/30/2012	6/30/2011
Revenues								
Program Revenues:								
Charges for Services	\$ 738,595	\$ 891,397	\$ 13,990,590	\$ 15,577,235	\$ 14,729,185	\$16,468,632	\$ 57,207	\$ 48,720
Operating Grants & Contributions	816,504	819,141	-	-	816,504	819,141	61,500	118,992
Capital Grants & Contributions	44,121	381,602	-	-	44,121	381,602	53,927	61,079
General Revenues:								
Property Taxes	3,556,887	3,472,112	-	-	3,556,887	3,472,112	-	-
Other Taxes	788,241	707,572	-	-	788,241	707,572	-	-
Other	367,701	342,100	18,223	9,325	385,924	351,425	100,209	477,244
Total Revenues	6,312,049	6,613,924	14,008,813	15,586,560	20,320,862	22,200,484	272,843	706,035
Expenses:								
Public Safety	2,106,889	1,745,068	-	-	2,106,889	1,745,068	-	-
Public Works	2,120,166	2,013,023	-	-	2,120,166	2,013,023	-	-
Health & Social Services	24,140	36,880	-	-	24,140	36,880	-	-
Culture & Recreation	1,129,800	1,227,678	-	-	1,129,800	1,227,678	-	-
Community & Economic Development	302,830	250,555	-	-	302,830	250,555	-	-
General Government	324,545	268,648	-	-	324,545	268,648	-	-
Interest & Fiscal Charges	185,632	195,438	-	-	185,632	195,438	-	-
Water Utility	-	-	1,684,718	1,408,666	1,684,718	1,408,666	-	-
Sewer Utility	-	-	1,359,185	1,415,224	1,359,185	1,415,224	-	-
Electric Utility	-	-	9,893,845	10,978,827	9,893,845	10,978,827	-	-
Component Units	-	-	-	-	-	-	418,934	436,656
Total Expenses	6,194,002	5,737,290	12,937,748	13,802,717	19,131,750	19,540,007	418,934	436,656
Change in Net Assets	118,047	876,634	1,071,065	1,783,843	1,189,112	2,660,477	(146,091)	269,379
Transfers	650,796	693,265	(656,655)	(693,265)	(5,859)	-	-	-
Change in Net Assets Before Transfers	768,843	1,569,899	414,410	1,090,578	1,183,253	2,660,447	(146,091)	269,379
Net Assets – Beginning (Restated)	28,209,578	26,639,679	31,265,623	30,175,045	59,475,201	56,814,724	3,303,204	3,033,825
Ending Net Assets	\$ 28,978,421	\$ 28,209,578	\$ 31,680,033	\$ 31,265,623	\$ 60,658,454	\$59,475,201	\$ 3,157,113	\$3,303,204

Revenues and expenses remained consistent from year to year for both the governmental and business type activities.

- Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements. Some examples of these items are as follows:
 - Purchase of equipment such as police cars.
 - Purchase of a new fire truck and pool slide.
 - The completion of various Street Improvement Projects.

The main sources of revenue for the governmental activities are from property taxes, other taxes (including local options sales tax), and grants and contributions. The City of Webster City received \$3,556,887 in property tax revenue, \$788,241 in other taxes, and \$860,625 in capital and operating grants and contributions.

Business-type Activities. The net assets of the business-type activities of the City of Webster City increased by \$414,410.

The goal of the City of Webster City is to have the revenues exceed the expenses in the Business-type activities. This goal was obtained for all utilities for the year ending 6/30/2012.

The electric utility is the main function of the City of Webster City Business-type Activities making up 72% of the total revenue. Since most sewer utility usage is based on a per unit water usage, with the exception of industrial sewer, the revenues for these two functions should remain close. Rates are monitored in each of these utilities on an on-going basis to maintain their financial stability.

Financial Analysis of the Government's Funds

As noted earlier, the City of Webster City uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Webster City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Webster City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Webster City's governmental funds reported combined ending fund balances of \$4,840,841; with the prior year being \$4,970,169, the decrease for this year was \$129,328. \$526,277 is nonspendable, \$1,456,889 is restricted, \$1,367,808 is committed, \$730,981 is assigned and \$751,611 is unassigned.

Revenues from the City's governmental funds totaled \$6,374,671 with taxes accounting for \$4,343,981 of that amount. Intergovernmental activities, including state and federal grants, represented another \$841,169 of the total governmental revenues.

Total expenditures for the governmental funds were \$7,190,766. The six main activities that make up these expenditures are public works \$1,377,472, public safety \$2,719,701, culture and recreation \$1,129,533, community and economic development \$300,795, capital projects \$582,935 and debt service \$800,739.

The general fund is the chief operating fund of the City of Webster City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,927,826. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance to the total fund expenditures. Unassigned fund balance represents 47% of the total general fund expenditures.

The fund balance of the City of Webster City's general fund decreased by \$471,348 during the current fiscal year, due primarily to a purchase of a new fire truck.

The Second Street Reconstruction fund continued to have a deficit fund balance at the end of the fiscal year of \$690,149. The deficit fund balance for Second Street Reconstruction decreased by \$136,871. This deficit is due to the advance from the electric utility for the reconstruction of Second Street. Future tax increment receipts will pay the advance.

The debt service fund ended the year with a \$249,609 fund balance. The City intends to reduce this fund balance by reducing future tax levies.

Proprietary Funds. The City of Webster City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of the electric utility totaled \$16,379,094, the water utility totaled \$10,163,451, and the sewer utility totaled \$5,137,488. The total change in net assets for these three funds was \$402,073, \$309,252, and (\$296,915) respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Webster City's business-type activities.

Governmental and Proprietary Funds Budgetary Highlights

The City amended the operating budget once in fiscal 2012 to increase the debt service function for refunding activity.

Capital Asset and Debt Administration

Capital Assets. The City of Webster City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$48,029,444 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, infrastructure.

Major capital assets events during the current fiscal year included the following:

- The completion of various Street Improvement Projects.
- The purchase of a new fire truck.
- The beginning of the Neal #4 generating plant upgrades.

	City of Webster City's Capital Assets (Net of Depreciation)							
	Governmental Activities		Business Type Activities		Total		Component Units	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Land	\$ 4,588,598	\$ 4,588,598	\$ 773,273	\$ 774,866	\$ 5,361,871	\$ 5,363,464	\$ -	\$ -
Structures & Improvements	3,786,737	5,767,611	852,624	747,539	4,639,361	6,515,150	31,500	32,340
Improvements Other Than Structures	17,173,874	15,260,928	15,558,973	16,438,906	32,732,847	31,699,834	-	-
Machinery & Equipment	2,420,084	1,805,445	1,220,657	1,317,349	3,640,741	3,122,794	-	-
Construction in Progress	389,909	551,284	1,264,715	312,294	1,654,624	863,578	-	-
Total	\$ 28,359,202	\$ 27,973,866	\$ 19,670,242	\$ 19,590,954	\$ 48,029,444	\$ 47,564,820	\$ 31,500	\$ 32,340

Long-term debt. At the end of the current fiscal year, the City of Webster City had total bonded debt outstanding of \$25,859,995. Of this amount, \$3,085,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Webster City's debt represents bonds secured solely by specified revenue source (i.e. revenue bonds).

Total outstanding liabilities includes an estimated liability for compensated absences and other post employment benefits. The total estimate for compensated absences is \$469,690 with \$270,974 being for governmental activities and \$198,716 being for business-type activities.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	6/30/12	6/30/11	6/30/12	6/30/11	6/30/12	6/30/11
General Obligation Bonds	\$ 2,890,000	\$ 3,435,000	\$ 195,000	\$ 255,000	\$ 3,085,000	\$ 3,690,000
Revenue Bonds	2,075,073	2,116,763	20,664,000	2,941,000	22,739,073	5,057,763
Total	\$ 4,965,073	\$ 5,551,763	\$ 20,859,000	\$ 3,196,000	\$ 25,824,073	\$ 8,747,763

The City of Webster City's total long-term liabilities increased by \$17,105,205 (including notes payable and compensated absences) during the fiscal year.

State statutes limit the amount of general obligation debt, including tax increment financing. A government entity may issue to 5% of its total assessed valuation. The current debt limit for the City of Webster City is \$17,195,526. With the General Obligation Debt being \$3,085,000 and the Tax Increment Debt being \$2,075,073, the City of Webster City is at 30% of the debt limit.

Economic Factors and Next Year's Budgets and Rates

- The rollback will increase for residential property. There will be no change to commercial rollback and agricultural rollback will increase. Residential rollback will go from 50.7518 % of the assessed value to 52.8166%, commercial will remain at 100%, and agricultural property will go from 57.5411% to 59.9334%. Depending on valuations and the levy asking this could impact the property tax dollars received. Possible changes with the commercial rollback are currently being discussed at the state level, which could have a negative impact on commercial property tax revenues for cities.
- City contribution rates for Municipal Police and Fire Retirement System of Iowa will increase from 26.12% to 30.12% in the next fiscal year. These rates are expected to increase annually.
- City contribution rates for Iowa Public Employees Retirement System of Iowa will increase from 8.67% to 8.93% in the regular class and decrease from 10.27% to 10.14% in the protection class in the next fiscal year. Due to legislative changes, IPERS rates can now be adjusted up to 1% each year without prior legislative approval.
- Electric, water and sewer rates were each increased during fiscal year 2011/2012. All rate increases are necessary to maintain the financial stability of the three municipal utilities.
- The local option sales tax money is used by the City for infrastructure improvements. This tax was renewed by voter approval in August, 2011 and will be in effect until June 30, 2022.
- Webster City has a strong industrial base. As a result, the current economic situation continues to create hardships for the citizens of our community. Webster City's largest employer, Electrolux, ceased production at the Webster City plant in March, 2011. The City's Economic Developer continues to work hard to bring new businesses and jobs to our community as well as help existing businesses grow and expand. We are seeing positive results from these efforts.
- In spite of the economic difficulties here, the community has many positive things happening also. In 2012, the Webster City Community School District completed a \$13 million dollar project at the High School which included the construction of a new competition gym. A new Casey's store was built as well as additions made to the Fareway, First State Bank and Hy-Vee buildings. In addition, the City has started work on a new water well project.
- Hotel/motel tax funds continue to provide funding for special projects within the City. These funds are available for a variety of projects, with requests made to the Hotel/Motel Tax Board.

These factors, if known, were considered in doing the City of Webster City 2012/2013 Budget. If they were not known, then they will be considered with the City of Webster City 2012/2013 Amended Budget.

Request for Information

This financial report is designed to provide a general overview of the City of Webster City's finances for all those with an interest in the government's finances. For questions concerning any of the information provided in this report or requests for additional financial information, please feel free to contact the City of Webster City, Finance Director, 400 Second Street, PO Box 217, Webster City, IA 50595.

CITY OF WEBSTER CITY, IOWA
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Webster City	Fuller
	Activities	Activities		Airport Commission	Trust
ASSETS					
Cash and Cash Equivalents	\$ 4,850,479	\$ 12,108,789	\$ 16,959,268	\$ 67,449	\$ 62,900
Investments	1,777,000	3,450,000	5,227,000	-	2,956,738
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	120,268	1,106,881	1,227,149	6,663	200
Subsequent Year Taxes	3,460,245	-	3,460,245	55,362	-
Accrued Interest	8,317	1,970	10,287	-	-
Other	69	-	69	-	-
Notes Receivable	671,560	5,790,000	6,461,560	-	-
Internal Balances	(1,343,387)	1,343,387	-	-	-
Due from Other Governmental Agencies	147,498	-	147,498	37,809	-
Inventories	109,687	858,983	968,670	-	-
Prepaid Assets	121,996	81,299	203,295	-	-
Land Held for Resale	148,446	-	148,446	-	-
Restricted Assets:					
Cash and Cash Equivalents	-	567,653	567,653	-	-
Investments	-	8,726,559	8,726,559	-	-
Accrued Interest Receivable	-	110,919	110,919	-	-
Bond Issue Costs	111,074	423,345	534,419	-	-
Land	4,588,598	773,273	5,361,871	-	-
Construction in Progress	389,909	1,264,715	1,654,624	-	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	23,380,695	17,632,254	41,012,949	-	31,500
Total Assets	38,542,454	54,240,027	92,782,481	167,283	3,051,338
LIABILITIES					
Accounts Payable	674,708	1,108,944	1,783,652	6,146	-
Accrued Wages	89,676	63,156	152,832	-	-
Other Accrued Expenses	28,110	4,950	33,060	-	-
Customer Deposits	-	180,709	180,709	-	-
Claims Incurred But Not Reported	8,245	-	8,245	-	-
Deferred Revenue - Subsequent Year Taxes	3,460,245	-	3,460,245	55,362	-
Accrued Interest Payable	5,704	-	5,704	-	-
Payables from Restricted Assets:					
Accrued Revenue Bond Interest	-	121,620	121,620	-	-
Noncurrent Liabilities:					
Due within one year:					
Revenue Bonds Payable	-	544,000	544,000	-	-
General Obligation Bonds	580,000	60,000	640,000	-	-
Compensated Absences and Benefits	135,991	102,098	238,089	-	-
Due in more than one year:					
Revenue Bonds Payable	2,075,073	20,136,328	22,211,401	-	-
Unamortized Loss on Refunding	-	(10,111)	(10,111)	-	-
General Obligation Bonds	2,329,594	135,000	2,464,594	-	-
Other Post Employment Benefits	41,704	16,682	58,386	-	-
Compensated Absences and Benefits	134,983	96,618	231,601	-	-
Total Liabilities	9,564,033	22,559,994	32,124,027	61,508	-
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	23,374,535	15,518,230	38,892,765	-	31,500
Restricted for:					
Debt Service	249,609	1,135,524	1,385,133	-	-
Specific Tax Levies	414,116	-	414,116	-	-
Streets	865,758	-	865,758	-	-
Police Activities	4,127	-	4,127	-	-
Economic Development Activities	1,356,608	-	1,356,608	-	-
Specific Purposes	13,976	-	13,976	-	-
Endowments:					
Nonexpendable	409,428	-	409,428	-	-
Unrestricted	2,290,264	15,026,279	17,316,543	105,775	3,019,838
Total Net Assets	\$ 28,978,421	\$ 31,680,033	\$ 60,658,454	\$ 105,775	\$ 3,051,338

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 2,106,889	\$ 16,226	\$ 30,615	\$ 4,500
Public Works	2,120,166	278,179	776,009	-
Health and Social Services	24,140	-	-	-
Culture and Recreation	1,129,800	353,745	8,822	-
Community and Economic Development	302,830	18,913	-	39,621
General Government	324,545	71,532	1,058	-
Debt Service	185,632	-	-	-
Total governmental activities	<u>6,194,002</u>	<u>738,595</u>	<u>816,504</u>	<u>44,121</u>
Business-Type Activities:				
Water System	1,684,718	2,168,971	-	-
Sewer System	1,359,185	1,741,471	-	-
Electric System	9,893,845	10,080,148	-	-
Total Business-Type Activities:	<u>12,937,748</u>	<u>13,990,590</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 19,131,750</u>	<u>\$ 14,729,185</u>	<u>\$ 816,504</u>	<u>\$ 44,121</u>
Component Unit:				
Webster City Airport Commission	<u>\$ 182,428</u>	<u>\$ 52,657</u>	<u>\$ 50,000</u>	<u>\$ 53,927</u>
Fuller Trust	<u>\$ 236,506</u>	<u>\$ 4,550</u>	<u>\$ 11,500</u>	<u>\$ -</u>

General Revenues:
Property Taxes
Local Option Sales Tax
Hotel/Motel Taxes
Interest and Investment Gains and Losses
Miscellaneous
Interfund Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets				
Governmental Activities	Business-Type Activities	Total	Component Unit	
			Webster City Airport Commission	Fuller Trust
\$ (2,055,548)		\$ (2,055,548)		
(1,065,978)		(1,065,978)		
(24,140)		(24,140)		
(767,233)		(767,233)		
(244,296)		(244,296)		
(251,955)		(251,955)		
(185,632)		(185,632)		
<u>(4,594,782)</u>		<u>(4,594,782)</u>		
	\$ 484,253	484,253		
	382,286	382,286		
	<u>186,303</u>	<u>186,303</u>		
	<u>1,052,842</u>	<u>1,052,842</u>		
<u>(4,594,782)</u>	<u>1,052,842</u>	<u>(3,541,940)</u>		
			\$ (25,844)	\$ (220,456)
3,556,887	-	3,556,887	55,043	-
660,836	-	660,836	-	-
127,405	-	127,405	-	-
50,184	12,364	62,548	-	45,166
317,517	-	317,517	-	-
650,796	(650,796)	-	-	-
<u>5,363,625</u>	<u>(638,432)</u>	<u>4,725,193</u>	<u>55,043</u>	<u>45,166</u>
768,843	414,410	1,183,253	29,199	(175,290)
28,209,578	31,265,623	59,475,201	76,576	3,226,628
<u>\$ 28,978,421</u>	<u>\$ 31,680,033</u>	<u>\$ 60,658,454</u>	<u>\$ 105,775</u>	<u>\$ 3,051,338</u>

CITY OF WEBSTER CITY, IOWA
BALANCE SHEET
Governmental Funds
June 30, 2012

	General	Second Street Reconstruction	Debt Service Fund
Assets			
Cash and Cash Equivalents	\$ 1,701,349	\$ -	\$ 249,609
Investments	1,000,000	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	120,268	-	-
Subsequent Year Taxes	1,782,461	-	643,237
Accrued Interest	5,483	-	-
Other	-	-	-
Notes Receivable	499,188	-	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	26,318	-	-
Inventories	37,465	-	-
Prepaid Assets	7,162	-	-
Total Assets	<u>5,179,694</u>	<u>-</u>	<u>892,846</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	210,005	-	-
Accrued Wages	77,795	-	-
Other Accrued Expenses	27,643	-	-
Due to Other Funds	624,726	690,149	-
Deferred Revenue - Subsequent Year Taxes	1,782,461	-	643,237
Deferred Revenue	529,238	-	-
Total Liabilities	<u>3,251,868</u>	<u>690,149</u>	<u>643,237</u>
Fund Balances:			
Non-Spendable:			
Inventories	37,465	-	-
Prepaid Expenses	7,162	-	-
Permanent Fund	-	-	-
Restricted:			
Specific Tax Levy	-	-	249,609
Streets	-	-	-
Committed:			
Police Activities	-	-	-
Economic Development Activities	-	-	-
Community Development Activities	-	-	-
Specific Purposes	-	-	-
Assigned:			
Capital Projects	-	-	-
Unassigned			
Total Fund Balances	<u>1,927,826</u>	<u>(690,149)</u>	<u>249,609</u>
Total Liabilities and Equity	<u>\$ 5,179,694</u>	<u>\$ -</u>	<u>\$ 892,846</u>

See Accompanying Notes to Financial Statements

Other Governmental Funds		Total Governmental Funds	
\$	2,771,423	\$	4,722,381
	777,000		1,777,000
	-		120,268
	1,034,547		3,460,245
	2,834		8,317
	69		69
	172,372		671,560
	489,136		489,136
	121,180		147,498
	72,222		109,687
	-		7,162
	5,440,783		11,513,323

	350,258		560,263
	11,881		89,676
	467		28,110
	517,648		1,832,523
	1,034,547		3,460,245
	172,427		701,665
	2,087,228		6,672,482

	72,222		109,687
	-		7,162
	409,428		409,428
	413,744		663,353
	793,536		793,536
	4,127		4,127
	1,356,980		1,356,980
	6,701		6,701
	7,275		7,275
	730,981		730,981
	(441,439)		751,611
	3,353,555		4,840,841
\$	5,440,783	\$	11,513,323

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)		\$ 4,840,841
Infrastructure, property, equipment and land held for resale used in governmental activities are not financial resources and, therefore, are not reported in the funds.		28,507,648
Internal service funds are used by management to fund and maintain the City's medical/flex costs provided to user departments and are included in the statement of net assets.		(36,296)
Assets such as notes receivables and property taxes are not available to pay for current period expenditures and therefore are deferred in the funds.		701,665
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		114,834
Accrued interest expense from the balance sheet that require current financial resources from governmental activities.		(5,704)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		111,074
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	\$ (2,909,594)	
Revenue Bonds	(2,075,073)	
Compensated Absences	(270,974)	
		(5,255,641)
Total Net Assets - Governmental Activities (page 12)		<u>\$ 28,978,421</u>

CITY OF WEBSTER CITY, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2012

	General	Second Street Reconstruction	Debt Service Fund
Revenue:			
Taxes	\$ 1,920,663	\$ -	\$ 655,489
Special Assessments	-	-	1,147
Licenses and Permits	84,761	-	-
Intergovernmental Revenue	38,619	-	-
Charges for Services	490,843	-	-
Fines and Forfeits	5,067	-	-
Contributions	3,125	-	-
Refunds/Reimbursements	52,979	-	121,968
Revenue from Use of Property	149,599	-	-
Interest on Investments	42,999	-	-
Miscellaneous	123,010	-	-
Total Revenue	2,911,665	-	778,604
Expenditures:			
Public Safety	2,137,232	-	-
Public Works	661,246	-	-
Health and Social Services	24,140	-	-
Culture and Recreation	971,327	-	-
Community and Economic Development	88,651	-	-
General Government	215,920	-	-
Capital Projects	-	-	-
Debt Service	-	-	800,739
Total Expenditures	4,098,516	-	800,739
(Deficiency) of revenues over expenditures	(1,186,851)	-	(22,135)
Other financing sources (uses):			
Premium on Bond Issue	-	-	10,112
Payments on Refunded Debt	-	-	(625,000)
Proceeds from Refunding Bonds Issued	-	-	645,000
Transfers In	771,859	136,871	-
Transfers Out	(56,356)	-	-
Total other financing sources (uses)	715,503	136,871	30,112
Net Change in Fund Balance	(471,348)	136,871	7,977
Fund balances (Deficits)- beginning of year	2,399,174	(827,020)	241,632
Fund balances (Deficits) - end of year	\$ 1,927,826	\$ (690,149)	\$ 249,609

See Accompanying Notes to Financial Statements

Other Governmental Funds		Total Governmental Funds	
\$	1,767,829	\$	4,343,981
	-		1,147
	-		84,761
	802,550		841,169
	-		490,843
	-		5,067
	10,996		14,121
	5,646		180,593
	-		149,599
	7,185		50,184
	90,196		213,206
	2,684,402		6,374,671
	582,469		2,719,701
	716,226		1,377,472
	-		24,140
	158,206		1,129,533
	212,144		300,795
	39,531		255,451
	582,935		582,935
	-		800,739
	2,291,511		7,190,766
	392,891		(816,095)
	-		10,112
	-		(625,000)
	-		645,000
	417,037		1,325,767
	(612,756)		(669,112)
	(195,719)		686,767
	197,172		(129,328)
	3,156,383		4,970,169
\$	3,353,555	\$	4,840,841

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 19)	\$ (129,328)
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 1,420,815	
Depreciation expense	<u>(922,619)</u>	498,196

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain or loss on the disposal of fixed assets. This is the effect on the change in net assets on the statement of activities.	(112,860)
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The effect of the change in prepaid insurance which is not reported in the governmental funds as it is not available to provide current financial resources.	1,855
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Governmental funds report economic development notes receivable and property taxes as revenue when it becomes available, but the statement of activities includes these assets as revenue when originally issued.	(62,622)
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Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	(4,225)
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Governmental funds do not reflect the change in accrued compensated absences as it does not consume current financial resources. The Statement of Activities reflects the change in accrued compensated absences through expenditures.	(7,061)
--	---------

Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities.	(4,332)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The amount by which payments exceeded proceeds in the current year is as follows:

Proceeds from debt issuance	(645,000)	
Premium on debt issuance	(10,112)	
Repayments of long-term debt	<u>1,231,690</u>	576,578

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	12,642
Change in net assets of governmental activities (page 14)	<u>\$ 768,843</u>

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
June 30, 2012

	Business Type Activities				Governmental Activities Internal Service
	Water System	Sewer System	Electric System	Total	
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 6,608,168	\$ 841,149	\$ 4,659,472	\$ 12,108,789	\$ 128,098
Investments	250,000	-	3,200,000	3,450,000	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	193,175	164,990	748,716	1,106,881	-
Accrued Interest	177	-	1,793	1,970	-
Notes Receivable	-	-	5,790,000	5,790,000	-
Due from Other Funds	-	-	1,343,387	1,343,387	-
Inventories	93,012	25,191	740,780	858,983	-
Prepaid Assets	24,689	13,030	43,580	81,299	-
Restricted Assets:					
Cash and Cash Equivalents	226,667	340,986	-	567,653	-
Investments	-	35,000	8,691,559	8,726,559	-
Accrued Interest Receivable	-	-	110,919	110,919	-
Bond Issue Costs	83,427	28,246	311,672	423,345	-
Total Current Assets	<u>7,479,315</u>	<u>1,448,592</u>	<u>25,641,878</u>	<u>34,569,785</u>	<u>128,098</u>
Noncurrent Assets					
Land	348,785	53,553	370,935	773,273	-
Construction in Progress	173,458	683	1,090,574	1,264,715	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,723,552	6,278,979	5,629,723	17,632,254	-
Total Noncurrent Assets	<u>6,245,795</u>	<u>6,333,215</u>	<u>7,091,232</u>	<u>19,670,242</u>	<u>-</u>
Total Assets	<u>13,725,110</u>	<u>7,781,807</u>	<u>32,733,110</u>	<u>54,240,027</u>	<u>128,098</u>
LIABILITIES					
Current Liabilities					
Accounts Payable	93,565	39,415	975,964	1,108,944	114,445
Accrued Wages	17,273	13,635	32,248	63,156	-
Other Accrued Expenses	678	535	3,737	4,950	-
Customer Deposits	-	-	180,709	180,709	-
Accrued Interest Payable	-	-	-	-	-
Claims Incurred But Not Reported	-	-	-	-	8,245
Payables from Restricted Assets:					
Accrued Revenue Bond Interest	3,798	6,903	110,919	121,620	-
General Obligation Bonds	60,000	-	-	60,000	-
Total Current Liabilities	<u>175,314</u>	<u>60,488</u>	<u>1,303,577</u>	<u>1,539,379</u>	<u>122,690</u>
Noncurrent Liabilities:					
Due within one year:					
Revenue Bonds Payable	135,000	409,000	-	544,000	-
Compensated Absences and Benefits	25,329	21,054	55,715	102,098	-
Due in more than one year:					
Revenue Bonds Payable	3,065,000	2,140,000	14,931,328	20,136,328	-
Unamortized Loss on Refunding	-	(10,111)	-	(10,111)	-
General Obligation Bonds	135,000	-	-	135,000	-
Other Post Employment Benefits	3,210	3,414	10,058	16,682	41,704
Compensated Absences and Benefits	22,806	20,474	53,338	96,618	-
Total Noncurrent Liabilities	<u>3,251,345</u>	<u>2,174,831</u>	<u>15,050,439</u>	<u>20,476,615</u>	<u>41,704</u>
Total Liabilities	<u>3,426,659</u>	<u>2,235,319</u>	<u>16,354,016</u>	<u>22,015,994</u>	<u>164,394</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	5,622,215	3,794,326	6,101,689	15,518,230	-
Restricted for:					
Debt Service	226,667	369,083	539,774	1,135,524	-
Unrestricted	4,314,569	974,079	9,737,631	15,026,279	(36,296)
Total Net Assets	<u>\$10,163,451</u>	<u>\$5,137,488</u>	<u>\$16,379,094</u>	<u>\$31,680,033</u>	<u>\$ (36,296)</u>

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2012

	Business Type Activities	
	Water System	Sewer System
Operating Revenues:		
Charges for Services	\$ 2,161,335	\$ 1,738,079
Miscellaneous	7,636	3,392
Reimbursement from Employees/Insurance	-	-
Total Operating Revenue	<u>2,168,971</u>	<u>1,741,471</u>
Operating Expenses:		
General Government	-	-
Operating and Maintenance	1,475,262	952,693
Depreciation	187,445	298,272
Total Operating Expenses	<u>1,662,707</u>	<u>1,250,965</u>
Operating Income (Loss)	506,264	490,506
Non-Operating Income (Expense):		
Interest Income	3,387	127
(Loss) on Disposition of Property	(4,145)	(680)
Interest Expense	(17,866)	(107,540)
Total Non-Operating Income (Expenses)	<u>(18,624)</u>	<u>(108,093)</u>
Income (Loss) before Contributions and Transfers	487,640	382,413
Other Financing Sources (Uses)		
Contributed Capital Revenue		
Transfers In	-	-
Transfers (Out)	(85,567)	(73,161)
Total Other Financing Sources (Uses)	<u>(85,567)</u>	<u>(73,161)</u>
Change in Net Assets	402,073	309,252
Net Assets (Deficit)- Beginning	<u>9,761,378</u>	<u>4,828,236</u>
Net Assets (Deficit) - Ending	<u>\$ 10,163,451</u>	<u>\$ 5,137,488</u>

See Accompanying Notes to Financial Statements

<u>Business Type Activities</u>		<u>Governmental Activities</u>
<u>Electric System</u>	<u>Total</u>	<u>Internal Service</u>
\$ 10,030,965	\$ 13,930,379	\$ -
49,183	60,211	-
-	-	45,640
<u>10,080,148</u>	<u>13,990,590</u>	<u>45,640</u>
-	-	49,972
9,212,333	11,640,288	-
665,900	1,151,617	-
<u>9,878,233</u>	<u>12,791,905</u>	<u>49,972</u>
201,915	1,198,685	(4,332)
8,850	12,364	-
(13,871)	(18,696)	-
(1,741)	(127,147)	-
<u>(6,762)</u>	<u>(133,479)</u>	<u>-</u>
195,153	1,065,206	(4,332)
5,859	5,859	-
63,326	63,326	-
(561,253)	(719,981)	-
<u>(492,068)</u>	<u>(650,796)</u>	<u>-</u>
(296,915)	414,410	(4,332)
<u>16,676,009</u>	<u>31,265,623</u>	<u>(31,964)</u>
<u>\$ 16,379,094</u>	<u>\$ 31,680,033</u>	<u>\$ (36,296)</u>

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2012

	Business Type Activities	
	Water System	Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 2,212,870	\$ 1,741,255
Cash Paid to Suppliers for Goods and Services	(917,591)	(513,307)
Cash Paid to Employees for Services	(530,371)	(469,839)
Net Cash Provided by Operating Activities	<u>764,908</u>	<u>758,109</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(38,051)	(35,074)
Proceeds from Issuance of Debt	3,200,000	-
Bond Issuance Costs	(80,700)	-
Principal Paid on Notes and Bonds	(60,000)	(392,000)
Interest Paid on Notes and Bonds	(13,751)	(96,310)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>3,007,498</u>	<u>(523,384)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers to Other Funds	(85,567)	(73,161)
Transfers from Other Funds	-	-
Due From (To) Other Funds	-	-
Net Cash (Used) for Non-Capital Financing Activities	<u>(85,567)</u>	<u>(73,161)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Notes Receivable Advances	-	-
Proceeds from Sale of Investments	200,000	100,000
Purchase of Investment Securities	-	-
Interest and Dividends on Investments	3,467	212
Net Cash Provided (Used) for Investing Activities	<u>203,467</u>	<u>100,212</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,890,306	261,776
Cash and Cash Equivalents at Beginning of Year	<u>2,944,529</u>	<u>920,309</u>
Cash and Cash Equivalents at End of Year	<u><u>6,834,835</u></u>	<u><u>1,182,085</u></u>
Cash and Cash Equivalents:		
Unrestricted	6,608,168	841,149
Restricted	226,667	340,986
	<u><u>\$ 6,834,835</u></u>	<u><u>\$ 1,182,135</u></u>

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental
Electric System	Total	Activities Internal Service
\$ 10,170,580	\$ 14,124,705	\$ 45,640
(7,964,398)	(9,395,296)	(10,280)
(1,138,205)	(2,138,415)	-
1,067,977	2,590,994	35,360
(1,170,546)	(1,243,671)	-
14,931,328	18,131,328	-
(313,413)	(394,113)	-
-	(452,000)	-
-	(110,061)	-
13,447,369	15,931,483	-
(561,253)	(719,981)	-
63,326	63,326	-
169,781	169,781	-
(328,146)	(486,874)	-
(5,000,000)	(5,000,000)	-
-	300,000	-
(9,241,559)	(9,241,559)	-
8,084	11,763	-
(14,233,475)	(13,929,796)	-
(46,275)	4,105,807	35,360
4,705,747	8,570,585	92,738
4,659,472	12,676,392	128,098
4,659,472	12,108,789	128,098
-	567,653	-
\$ 4,659,472	\$ 12,676,442	\$ 128,098

(Continued)

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2012

	Business Type Activities	
	Water System	Sewer System
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	<u>\$ 506,264</u>	<u>\$ 490,506</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	187,445	298,272
(Increase) Decrease in Assets:		
Accounts Receivable	43,899	(216)
Prepaid Expenses	(4,318)	(1,466)
Inventories	15,534	(1,237)
Increase (Decrease) in Liabilities	-	
Accounts Payable	22,618	(26,042)
Accrued Wages	(2,637)	(1,572)
Other Accruals	(273)	(784)
Accrued Compensated Absences	(3,624)	648
Customer Deposits	-	-
Claims Incurred But Not Reported	-	-
Total Adjustments	<u>258,644</u>	<u>267,603</u>
Net Cash Provided by Operating Activities	<u><u>\$ 764,908</u></u>	<u><u>\$ 758,109</u></u>

<u>Business Type Activities</u>		<u>Governmental</u>
<u>Electric</u>		<u>Activities</u>
<u>Utility</u>	<u>Total</u>	<u>Internal</u>
		<u>Service</u>
<u>\$ 201,915</u>	<u>\$ 1,198,685</u>	<u>\$ (4,332)</u>
665,900	1,151,617	-
66,134	109,817	-
-	(5,784)	-
(66,667)	(52,370)	-
162,684	159,260	23,536
2,298	(1,911)	-
(2,425)	(3,482)	10,186
13,840	10,864	-
24,298	24,298	-
-	-	5,970
<u>866,062</u>	<u>1,392,309</u>	<u>39,692</u>
<u>\$ 1,067,977</u>	<u>\$ 2,590,994</u>	<u>\$ 35,360</u>

See Accompanying Notes to Financial Statements

CITY OF WEBSTER CITY, IOWA
COMBINED STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds
June 30, 2012

	Totals
ASSETS	
Cash and Cash Equivalents	\$ 35,394
Total Assets	<u>35,394</u>
LIABILITIES	
Due to Other Governments	3,479
Other Payables	<u>18,089</u>
Total Liabilities	<u>21,568</u>
NET ASSETS	
Unrestricted	13,826
Total Net Assets	<u><u>\$ 13,826</u></u>

CITY OF WEBSTER CITY, IOWA
 COMBINED STATEMENT OF CHANGES IN NET ASSETS
 Fiduciary Funds
 For the Year Ended June 30, 2012

	Totals
Additions	
Investment Income	\$ 8,781
Deductions	
Culture and Recreation	18,124
Changes in Net Assets	<u>(9,343)</u>
Net Assets Beginning of Year	<u>23,169</u>
Net Assets End of Year	<u><u>\$ 13,826</u></u>

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Webster City, Iowa is a political subdivision of the State of Iowa located in Hamilton County, and was incorporated in 1874, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Council-Manager form of government with the council members elected on a non-partisan basis and administers the following functions as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also has municipal water, sewer, and electric utility systems, which are governed by the City Council.

The City's financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of Webster City, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Webster City, Iowa (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Units

Webster City Airport Commission

The government-wide financial statements include the Webster City Airport Commission ("airport commission") as a component unit. The airport commission is a legally separate organization. The board of the airport commission is appointed by the Webster City City Council. Iowa Statutes provide for circumstances whereby the City can impose their will on the airport commission. The airport commission can create a potential financial benefit to or burden on the City. As a component unit, the airport commission's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2012. Separate financial statements are not issued for the Webster City Airport Commission.

Fuller Trust

The government-wide financial statements include the Fuller Trust as a component unit.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Fuller Trust is a legally separate organization. The board of Fuller Trust is elected by the general public and can provide a financial benefit or burden to the City. As a component unit, the Fuller Trust's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2012. Separate financial statements are not issued for the Fuller Trust.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Hamilton County Assessors' Conference Board, Hamilton County Emergency Management Commission, and Hamilton County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax, intergovernmental revenues, and other nonexchange revenues are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities. The City's Medical/Flex internal service fund is also classified as a governmental-type activity.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Capital Project Fund
Second Street Reconstruction – accounts for resources and expenditures related to the Second Street reconstruction project.
- 3) Debt Service Fund - Accounts for the accumulation of resources for and the payment of general obligation debt principal, interest and related costs.

The City reports the following major proprietary (enterprise) funds:

The Water Utility is used to account for the operation and maintenance of the City's water system.

The Sewer Utility is used to account for the operation and maintenance of the City's sewer system.

The Electric Utility is used to account for the operation and maintenance of the City owned electric system.

In addition, the City reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

Medical/Flex

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Private-purpose trust funds are used to report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Joe E. Barr Trust
Edgar Foster Trust
Calvary Cemetery Trust

Zella Silvers Trust
Mulberry Church Trust

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis. The City's internal service fund is presented in the proprietary fund financial statements.

Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds, including the airport discretely presented component unit, are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Investments consist of the following:

<u>Type</u>	<u>Method</u>
Nonnegotiable Certificates of Deposit	Cost

Custodial Credit Risk – the City has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does have a formal investment policy that limits investment maturities (no more than 397 days) as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the City's investments to this risk, is as follows:

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Type of Investment	Fair Value	Investment Maturities (In Years)
		Less Than 1 Year
Certificates of Deposit	\$ 5,262,000	\$ 5,262,000

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2011. Any county collections on the 2011-2012 tax levy remitted to the City within 60 days subsequent to June 30, 2012, are recorded as property tax revenue.

Customer Accounts and Unbilled Usage – Accounts receivable in the Enterprise Funds includes services billed prior to June 30, 2012 and an estimate of services provided through June 30, 2012 but not billed.

Short-Term Interfund Receivables/Payables - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent certain transactions between funds have not been paid or received as of June 30, 2012, balances of interfund amounts payable or receivable have been recorded as “due to other funds” and “due from other funds”, respectively in the fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid items.

Capital Assets - Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$5,000 for general capital assets and \$25,000 for infrastructure assets and estimated useful lives in excess of one year. Depreciation expense is calculated using the straight-line method over the following useful lives:

Buildings	39 – 150 Years
Utility Plant	25 – 90 Years
Machinery & Equipment	3 - 30 Years
Infrastructure	20– 100 Years
Land Improvements	50– 100 Years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of uncollected notes receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick-leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statement. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund balances for each of the City's governmental funds (general fund, special revenue funds, capital projects funds, and debt service funds) are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- *Assigned fund balance* – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance* – amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used.

Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the Public Safety, Capital Projects and Business-type Activities functions.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2012, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Deposits at June 30, 2012, are shown below:

	Primary Government	Fiduciary Funds	Webster City Airport Commission Component Unit	Fuller Trust Component Unit	Fair Value
Demand Deposits	\$ 17,361,482	\$ 35,394	\$ 67,449	\$ 62,900	\$17,527,225
Cash on Hand	1,000	-	-	-	1,000
Time Deposits	5,262,000	-	-	-	5,262,000
	<u>\$ 22,624,482</u>	<u>\$ 35,394</u>	<u>\$ 67,449</u>	<u>\$ 62,900</u>	<u>\$22,790,225</u>

Fuller Trust – Discretely Presented Component Unit:

Custodial Credit Risk: This is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Fuller Trust funds do not have custodial credit risk policies for investments.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS – (Continued)

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Fuller Trust does not have a formal investment policy that limits investment maturities (no more than 397 days) as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the Fuller Trust's investments to this risk is as follows:

Type of Investment	Fair Value	Investment Maturities (In Years)		
		Less Than 1 Year	1 – 5 Years	5 or More Years
Mutual Funds	\$ 2,203,149	\$ 2,203,149	\$ -	\$ -
Preferred Stocks	107,000	107,000	-	-
U.S. Gov't. Agencies	100,100	-	65,100	35,000
Corporate Bonds	546,489	77,015	469,474	-
	<u>\$ 2,956,738</u>	<u>\$ 2,387,164</u>	<u>\$534,574</u>	<u>\$ 35,000</u>

Note 3 - RECEIVABLES

Receivables at June 30, 2012 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$85,600 at June 30, 2012.

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed.

It is the City's policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year-end are presented as committed fund balance in the fund financial statements.

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2012, amounts due from other governments were as follows:

Due from the Iowa Department of Revenue for Road Use Tax allocation	\$ 56,457
Due from the Iowa Department of Revenue for State and Federal Grant Projects	7,275
Due from the Iowa Department of Revenue for Local Option Sales taxes	83,766
Total Governmental Funds	<u>\$ 147,498</u>

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2012, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Electric Fund	Second Street Reconstruction	\$ 690,149
Electric Fund	General Fund	589,016
Electric Fund	Nonmajor Governmental	64,222
Nonmajor Governmental	General Fund	35,710
Nonmajor Governmental	Non-Major Governmental	453,426
		<u>\$1,832,523</u>

The purpose of the interfund balances is to help finance short-term cash flow shortages of various funds.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,801,799	\$ -	\$ -	\$ 3,801,799
Right of way	786,799	-	-	786,799
Construction in progress	551,284	382,560	543,935	389,909
Total capital assets not being depreciated	5,139,882	382,560	543,935	4,978,507
Capital assets being depreciated:				
Land improvements	2,082,426	-	-	2,082,426
Structures and improvements	6,998,840	-	-	6,998,840
Machinery and equipment	3,516,344	944,785	257,948	4,203,189
Streets	21,492,356	543,935	-	22,036,291
Trails and paths	1,913,927	-	-	1,913,927
Sidewalks	479,152	-	-	479,152
Storm sewers	1,010,771	-	-	1,010,771
Bridges	2,017,993	93,470	-	2,111,463
Dam	200,000	-	-	200,000
Traffic signals	183,657	-	-	183,657
Total capital assets being depreciated	39,895,466	1,582,190	257,948	41,219,708
Less: Accumulated depreciation for				
Land improvements	269,897	41,302	-	311,199
Structures and improvements	3,043,758	170,845	2,500	3,212,103
Machinery and equipment	1,777,016	207,440	142,588	1,841,868
Streets	9,892,140	408,068	-	10,300,208
Trails and paths	129,288	38,279	-	167,567
Sidewalks	222,708	4,792	-	227,500
Storm sewers	491,146	10,862	-	502,008
Bridges	1,037,989	27,018	-	1,065,007
Dam	80,000	6,667	-	86,667
Traffic signals	117,540	7,346	-	124,886
Total Accumulated Depreciation	17,061,482	922,619	145,088	17,839,013
Capital Assets, Net of Depreciation	22,833,984	659,571	112,860	23,380,695
Governmental activities capital assets, net	\$ 27,973,866	\$ 1,042,131	\$ 656,795	\$ 28,359,202

Construction in progress is related to street projects and airport improvements.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 25,038
Public Safety	104,098
Public Works, which includes the depreciation of infrastructure	601,718
Culture and Recreation	191,765
	<u>922,619</u>
Total governmental activities - depreciation expense	<u>\$ 922,619</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 774,866	\$ -	\$ 1,593	\$ 773,273
Construction in Progress	312,294	1,125,577	173,156	1,264,715
Total capital assets not being depreciated	<u>1,087,160</u>	<u>1,125,577</u>	<u>174,749</u>	<u>2,037,988</u>
Capital assets being depreciated:				
Buildings and improvements	3,456,611	74,294	-	3,530,905
Machinery and equipment	5,665,161	164,529	70,786	5,758,904
Utility Plant	48,344,039	72,376	20,228	48,396,187
Total capital assets being depreciated	<u>57,465,811</u>	<u>311,199</u>	<u>91,014</u>	<u>57,685,996</u>
Less: Accumulated Depreciation	<u>38,962,017</u>	<u>1,151,617</u>	<u>59,892</u>	<u>40,053,742</u>
Total capital assets being depreciated, net	<u>18,503,794</u>	<u>(840,418)</u>	<u>31,122</u>	<u>17,632,254</u>
Business-type activities capital assets, net	<u>\$ 19,590,954</u>	<u>\$ 285,159</u>	<u>\$ 205,871</u>	<u>\$ 19,670,242</u>

Construction in progress at June 30, 2012 consisted of costs associated with the water, wastewater, electric system, and Neal #4 generating station improvements.

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-Type Activities:	
Water	\$ 187,445
Sewer	298,272
Electric	665,900
	<u>1,151,617</u>
Total depreciation expense – business-type activities	<u>\$ 1,151,617</u>

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 6 - CAPITAL ASSETS – (Continued)

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Component Unit:				
Capital assets being depreciated:				
Buildings	\$ 42,000	\$ -	\$ -	\$ 42,000
Total capital assets being depreciated	42,000	-	-	42,000
Less: Accumulated Depreciation	9,660	840	-	10,500
Total capital assets being depreciated, net	\$ 32,340	\$ (840)	\$ -	\$ 31,500

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business-Type Activities	Fuller Trust Component Unit
Land	\$ 4,588,598	\$ 773,273	\$ -
Construction in Progress	389,909	1,264,715	-
Capital Assets (net of accumulated depreciation)	23,380,695	17,632,254	31,500
Unamortized Loss on Refunding	-	10,111	-
Less: General Obligation Bonds Payable	(2,909,594)	(195,000)	-
Revenue Bonds	(2,075,073)	(3,967,123)	-
Invested in Capital Assets, Net of Related Debt	\$ 23,374,535	\$ 15,518,230	\$ 31,500

Note 7 - LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the City.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 7 - LONG-TERM DEBT (Continued)

General obligation bonds outstanding as of June 30, 2012 are as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/12	Due Within One Year
Governmental Activities						
General Obligation Debt						
Corporate purpose bonds	11/01/11	06/01/18	1.75%	\$ 645,000	\$ 565,000	\$ 85,000
Corporate purpose bonds	03/01/06	06/01/16	3.25 – 3.95%	1,280,000	580,000	135,000
Corporate purpose bonds	11/01/08	06/01/17	1.20 – 3.05%	1,330,000	705,000	240,000
Corporate purpose bonds	11/01/10	06/01/20	2.00 – 2.90%	1,290,000	1,040,000	120,000
Total Governmental Activities – General Obligation Debt					<u>\$ 2,890,000</u>	<u>\$ 580,000</u>
Business-Type Activities						
General Obligation Debt						
Corporate purpose bonds	11/01/08	06/01/17	1.20 – 3.05%	\$ 365,000	<u>\$ 195,000</u>	<u>\$ 60,000</u>

The balances shown on the Statement of Net Assets is net of unamortized bond premiums of \$19,594.

Advance Refunding

On November 1, 2008, the City issued \$1,695,000 of General Obligation Bonds, Series 2009, with an average interest rate of 2.125%. The bonds consist of serial bonds bearing various fixed rates ranging from 1.2% to 3.05% with annual maturities from June 2010 through June 2017. The net proceeds of \$1,655,275 (after issuance costs of \$39,725) were used to advance refund various series of bonds with a total principal amount of \$1,695,000 and an average interest rate of 4.02%. The advance refunding was done in order to reduce debt payments in the short-term. The refunding decreased the City's total debt service payments by approximately \$101,000.

On November 1, 2011, the City issued \$645,000 of General Obligation Bonds, Series 2011A, with an interest rate of 1.75%. The bonds consist of serial bonds with annual maturities from June 2012 through June 2018. The net proceeds of \$628,270 were used to advance refund Series 2003A General Obligation Bond with a total principal amount of \$625,000 and an average interest rate of approximately 3%. The advance refunding was done in order to reduce debt payments in the short-term. The refunding decreased the City's total debt service payments by approximately \$33,000.

Debt service requirements to maturity are as follows:

Years	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 580,000	\$ 74,486	\$ 60,000	\$ 4,526
2014	505,000	58,597	65,000	5,016
2015	510,000	45,280	70,000	3,531
2016	460,000	33,295	-	-
2017	320,000	20,407	-	-
2018-2020	515,000	24,815	-	-
Total	<u>\$ 2,890,000</u>	<u>\$ 256,880</u>	<u>\$ 195,000</u>	<u>\$ 13,073</u>

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 7 - LONG-TERM DEBT (Continued)

Revenue Bonds

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service. These funds have been expended on construction of the water treatment and wastewater treatment facilities.

Revenue bonds outstanding at June 30, 2012 are as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/12	Due Within One Year
Governmental Activities						
Revenue Debt:						
Community Center revenue note	07/01/02	07/01/42	Variable	\$ 2,600,000	<u>\$ 2,075,073</u>	<u>\$ -</u>
Business-Type Activities						
Revenue Debt:						
<u>Sewer Utility</u>						
Revenue bonds	02/07/00	06/01/20	3.92%	3,900,000	1,924,000	209,000
Revenue bonds	01/10/06	06/01/15	3.30 – 4.10%	1,815,000	625,000	200,000
Total Sewer Utility					<u>2,549,000</u>	<u>409,000</u>
<u>Water Utility</u>						
Revenue Bonds	06/01/12	06/01/32	0.60 – 3.25%	3,200,000	<u>3,200,000</u>	<u>135,000</u>
<u>Electric Utility</u>						
Revenue Bonds	05/01/12	11/01/37	2.25 – 5.65%	\$ 14,915,000	14,915,000	-
Total Business Type Activities					<u>\$20,664,000</u>	<u>\$ 544,000</u>

The balances shown on the Statement of Net Assets is net of unamortized premiums of \$16,328.

In May of 2012 the City issued Electric Revenue Bonds totaling \$14,915,000. The bonds bear interest ranging from 2.25% to 5.65% with principal payments due November 1 of years 2014 through 2032. Proceeds of the debt will be used to pay for upgrades to the Neal #4 generating plant and to repay Corn Belt Power Cooperative for system improvements.

In June of 2012 the City issued Water Revenue Bonds totaling \$3,200,000. The bonds bear interest ranging from 0.60% to 3.25% with principal payments due June 1 of years 2013 through 2037. Proceeds of the debt were used to finance water system improvements.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 7 - LONG-TERM DEBT (Continued)

Debt service requirements to maturity are as follows:

Years	Business-type Activities Revenue Debt	
	Principal	Interest
2013	\$ 544,000	\$ 485,616
2014	563,000	868,322
2015	996,000	852,742
2016	795,000	826,457
2017	814,000	808,697
2018-2022	3,867,000	3,713,045
2023-2027	3,675,000	3,071,705
2028-2032	4,600,000	2,142,215
2033-2037	4,810,000	891,117
	<u>\$20,664,000</u>	<u>\$13,659,916</u>

A repayment schedule has not been established for the community center revenue note as of June 30, 2012.

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation	\$ 3,435,000	\$ 645,000	\$ 1,190,000	\$ 2,890,000	\$ 580,000
Revenue Bonds	2,116,763	-	41,690	2,075,073	-
Compensated Absences	263,913	270,974	263,913	270,974	135,991
Other Post Employment Benefits	31,518	10,186	-	41,704	-
Governmental Activity Long-Term Liabilities	<u>\$ 5,847,194</u>	<u>\$ 926,160</u>	<u>\$ 1,495,603</u>	<u>\$ 5,277,751</u>	<u>\$ 715,991</u>
Business-Type Activities:					
Bonds Payable:					
General Obligation	\$ 255,000	\$ -	\$ 60,000	\$ 195,000	\$ 60,000
Revenue Bonds	2,941,000	18,115,000	392,000	20,664,000	544,000
Compensated Absences	191,142	198,716	191,142	198,716	102,098
Other Post Employment Benefits	12,608	4,074	-	16,682	-
Business-Type Activity Long-Term Liabilities	<u>\$ 3,399,750</u>	<u>\$ 18,317,790</u>	<u>\$ 643,142</u>	<u>\$ 21,074,398</u>	<u>\$ 706,098</u>

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 8 - TRANSFERS

The following is a summary of transfers between funds:

	General	2 nd Street Reconstruction	Electric	Non Major Governmental	Total Transfer Out
General	\$ -	\$ -	\$ 56,060	\$ 296	\$ 56,356
Electric	561,253	-	-	-	561,253
Water	85,567	-	-	-	85,567
Sewer	73,161	-	-	-	73,161
Nonmajor Governmental	51,878	136,871	7,266	416,741	612,756
Total Transfer In	\$ 771,859	\$ 136,871	\$ 63,326	\$ 417,037	\$ 1,389,093

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 9- PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered payroll except for, fire employees, in which case, the percentages are actuarially determined, and police employees who are covered by another plan. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$203,954, \$179,764, and \$169,032, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa - The City contributes to the Municipal Fire & Police Retirement System of Iowa (MFPRSI) which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees appointed by the State of Iowa. MFPRSI provides retirement and death benefits which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate cannot be less than 24.76% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2012, 2011 and 2010 were \$193,690, \$159,162, and \$137,378, respectively, which met the required minimum contribution for each year.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 9- PENSION AND RETIREMENT (Continued)

Employee Vision and Dental Plan – The City of Webster City Medical/Flex Insurance Fund was established to account for the City's medical and flex benefit plan. The City has entered into an administrative services agreements with Employee Benefits System, to administer the employee dental and vision benefit plans. The agreements are subject to automatic renewal provisions.

Monthly payments of service fees and plan contributions to the City of Webster City Medical/Flex Insurance Fund are recorded as disbursements in the operating funds. Under an administrative services agreement, monthly payments of service fees and claims processed were paid to Wellmark Blue Cross and Blue Shield from the Internal Service Fund, Medical/Flex Insurance Account.

For vision claims, the claims are limited to specified services outlined in the vision plan and the uninsured risk of loss is minimal per employee. For dental claims, the uninsured risk of loss is \$1,000 for a policy year per employee. The City has not purchased additional commercial insurance since claims are limited to the amounts specified in the plan.

All funds of the City participate in the vision and dental plan. Amounts payable to the medical/flex insurance fund are based on actual claims incurred in prior years.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. The City does not allocate overhead costs or other nonincremental costs to the claims liability.

Claims Liability

	Prior Year	Current Year
Unpaid claims, beginning of fiscal year	\$ 3,034	\$ 2,275
Current year claims and changes in estimates	30,807	54,367
Claim payments	(31,566)	(48,397)
Unpaid claims, end of fiscal year	<u>\$ 2,275</u>	<u>\$ 8,245</u>

Note 10 - DEFICIT FUND EQUITY

The City has seven funds with deficit equity balances at June 30, 2012. The City intends to finance these deficits from various resources including; TIF Receipts, fund transfers, and note payments.

The individual fund deficits were as follows:

Second Street Reconstruction	\$ 690,149
Internal Service Fund	36,296
Nonmajor – Police/Fire Retirement	15,838
Nonmajor – Urban Renewal Southeast TIF	25,938
Nonmajor – Urban Renewal Southwest TIF	398,008
Nonmajor – 1 st State TIF	1,500
Nonmajor – City Hall Plaza	155

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 11- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks, with the exception of vision and dental care, are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Note 12- COMMITMENTS

During the year ended June 30, 2012, the City had entered into several construction contracts totaling approximately \$12,500,000 of which approximately \$1,800,000 has been expended to date. The remaining balance will be paid as work progresses.

Note 13 - CONTINGENCY

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of the management and the City attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City of Webster City has entered into several development agreements with developers.

The developers are constructing industrial/commercial facilities on property located in the City. Chapter 403 of the Code of Iowa authorizes cities to establish urban renewal areas and to undertake economic development projects. In recognition of the developers' commitment, the City agreed to make economic tax rebate payments to the developer during the term of the agreements in amounts which represent the property taxes paid with respect to the project by the developers in that fiscal year, minus the amount of debt service taxes levied by taxing jurisdictions, provided, however, that the total rebate payments during the term of the agreement do not exceed the maximum amounts listed.

The agreement assumes that the full taxable value of the project will go on the property tax rolls as of the dates listed below. All tax rebate payments will be made on December 1, and June 1 beginning the year after the initial incremental taxable value is placed on the property tax roll. The tax rebate payments shall not constitute general obligation of the City, but shall be paid solely and only from incremental property taxes received by the City from the Hamilton County Treasurer which are attributable to each individual project.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 13 - CONTINGENCY - (Continued)

The tax rebate payments to the developer are subject to the following conditions:

1. Timely payment of property taxes by the developer when due and submission to the City of a receipt or cancelled check as evidence of each tax payment. Residential developers are not required to submit receipts.
2. Submission of documentation satisfactory to the City, at least one week prior to each December 1 and June 1 payment date, that that project is being used as a commercial facility.

Note 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 69 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark Blue Cross and Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 14,260
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual OPEB cost	14,260
Contributions made	-
	<hr/>
Increase in net OPEB obligation	14,260
Net OPEB obligation beginning of year	44,126
	<hr/>
Net OPEB obligation end of year	\$ 58,386

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

CITY OF WEBSTER CITY, IOWA
Notes to Financial Statements
June 30, 2012

Note 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 14,709	0%	\$ 14,709
June 30, 2010	\$ 14,709	0%	\$ 29,418
June 30, 2011	\$ 14,708	0%	\$ 44,126
June 30, 2012	\$ 14,260	0%	\$ 58,386

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$144,336, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$144,336. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,530,000 and the ratio of the UAAL to covered payroll was 5.7%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. This is a pay as you go plan implemented this year therefore there is no schedule of funding progress presented.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4% discount rate based on the City's funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate rate.

Mortality rates are from the RP2000 Combined Mortality Table, projected to 2010 using Scale AA. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEBSTER CITY, IOWA

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
BALANCES - BUDGET AND ACTUAL (CASH BASIS) -**

Governmental Funds and Proprietary Funds

For the Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Taxes	\$ 4,413,905	\$ -
Special Assessments	1,147	-
Licenses and Permits	85,839	-
Intergovernmental Revenue	931,762	-
Charges for Services	500,576	14,130,564
Revenue from Use of Property	250,413	11,763
Miscellaneous	365,276	-
Total receipts	<u>6,548,918</u>	<u>14,142,327</u>
Disbursements:		
Public Safety	2,716,191	-
Public Works	1,420,208	-
Health and Social Services	-	-
Culture and Recreation	1,045,692	-
Community and Economic Development	415,169	-
General Government	302,186	-
Capital Projects	1,425,739	-
Debt Service	388,964	-
Business-Type Activities	-	18,345,302
Total disbursements	<u>7,714,149</u>	<u>18,345,302</u>
Excess (deficiency) of receipts over disbursements	<u>(1,165,231)</u>	<u>(4,202,975)</u>
Other financing sources (uses):		
Proceeds from Debt Issuance	655,112	17,737,215
Transfers In	1,325,767	63,326
Transfers Out	(669,112)	(719,981)
Total other financing sources (uses)	<u>1,311,767</u>	<u>17,080,560</u>
Net Change in Balances	146,536	12,877,585
Balances - beginning of year	5,714,307	12,686,786
Balances - end of year	<u>\$ 5,860,843</u>	<u>\$ 25,564,371</u>

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 4,413,905	\$ 4,352,847	\$ 4,352,847	\$ 61,058
1,147	1,500	1,500	(353)
85,839	112,987	112,987	(27,148)
931,762	798,161	798,161	133,601
14,631,140	18,199,580	18,199,580	(3,568,440)
262,176	376,842	376,842	(114,666)
365,276	306,885	306,885	58,391
<u>20,691,245</u>	<u>24,148,802</u>	<u>24,148,802</u>	<u>(3,457,557)</u>
2,716,191	2,058,308	2,058,308	(657,883)
1,420,208	1,459,646	1,459,646	39,438
-	63,760	63,760	63,760
1,045,692	1,111,897	1,111,897	66,205
415,169	490,320	490,320	75,151
302,186	342,524	342,524	40,338
1,425,739	654,369	654,369	(771,370)
388,964	850,534	850,534	461,570
18,345,302	14,337,896	14,337,896	(4,007,406)
<u>26,059,451</u>	<u>21,369,254</u>	<u>21,369,254</u>	<u>(4,690,197)</u>
<u>(5,368,206)</u>	<u>2,779,548</u>	<u>2,779,548</u>	<u>(8,147,754)</u>
18,392,327	-	-	18,392,327
1,389,093	4,255,096	4,255,096	(2,866,003)
<u>(1,389,093)</u>	<u>(4,255,096)</u>	<u>(4,255,096)</u>	<u>2,866,003</u>
<u>18,392,327</u>	<u>-</u>	<u>-</u>	<u>18,392,327</u>
13,024,121	2,779,548	2,779,548	10,244,573
18,401,093	18,401,093	18,401,093	-
<u>\$ 31,425,214</u>	<u>\$ 21,180,641</u>	<u>\$ 21,180,641</u>	<u>\$ 10,244,573</u>

CITY OF WEBSTER CITY, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
For the Year Ended June 30, 2012

	Cash Basis	Accrual Adjustments	Modified/Full Accrual Basis
Revenue:			
Taxes	\$ 4,413,905	\$ (69,924)	\$ 4,343,981
Special Assessments	1,147	-	1,147
Licenses and Permits	85,839	(1,078)	84,761
Intergovernmental Revenue	931,762	(90,593)	841,169
Charges for Services	14,631,140	(149,707)	14,481,433
Revenue from Use of Property	262,176	(100,213)	161,963
Miscellaneous	365,276	103,754	469,030
Total Revenue	<u>20,691,245</u>	<u>(307,761)</u>	<u>20,383,484</u>
Expenditures/Expenses:			
Public Safety	2,716,191	3,510	2,719,701
Public Works	1,420,208	(42,736)	1,377,472
Health and Social Services	-	24,140	24,140
Culture and Recreation	1,045,692	83,841	1,129,533
Community and Economic Development	415,169	(114,374)	300,795
General Government	302,186	(46,735)	255,451
Capital Projects	1,425,739	(842,804)	582,935
Debt Service	388,964	1,036,775	1,425,739
Business-Type Activities	18,345,302	(5,407,554)	12,937,748
Total Expenditures/Expenses	<u>26,059,451</u>	<u>(5,305,937)</u>	<u>20,753,514</u>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	<u>(5,368,206)</u>	<u>4,998,176</u>	<u>(370,030)</u>
Other financing sources (uses):			
Proceeds from Debt Issuance	18,392,327	(17,737,215)	655,112
Transfers In	1,389,093	-	1,389,093
Transfers Out	(1,389,093)	-	(1,389,093)
Total other financing sources (uses)	<u>18,392,327</u>	<u>(17,737,215)</u>	<u>655,112</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures/Expenses and Other (Uses)	13,024,121	(12,739,039)	285,082
Fund Balance/Retained Earnings - beginning of year	<u>18,401,093</u>	<u>17,834,699</u>	<u>36,235,792</u>
Fund Balance/Retained Earnings - end of year	<u>\$ 31,425,214</u>	<u>\$ 5,095,660</u>	<u>\$ 36,520,874</u>

CITY OF WEBSTER CITY, IOWA
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2012

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end. There were no budget amendments during the year.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department.

During the fiscal year ended June 30, 2012, disbursements exceeded the amounts budgeted in the Public Safety, Capital Projects and Business-type Activities functions.

CITY OF WEBSTER CITY, IOWA
Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Approximate Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	-	\$ 154,918	\$ 154,918	0.00%	\$2,925,000	5.2%
July 1, 2009	-	\$ 154,918	\$ 154,918	0.00%	\$2,925,000	5.2%
July 1, 2009	-	\$ 154,918	\$ 154,918	0.00%	\$3,367,000	4.6%
July 1, 2012	-	\$ 144,336	\$ 144,336	0.00%	\$2,530,000	5.7%

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CITY OF WEBSTER CITY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2012

	Special Revenue Funds				
	FICA/ IPERS	Worker's Compensation	Medical/Flex Insurance	Unemployment Compensation	Road Use Tax
Assets					
Cash and Cash Equivalents	\$ 152,118	\$ 6,877	\$ 100,118	\$ 31,459	\$ 566,961
Investments	-	-	-	-	177,000
Receivables (Net, where applicable, of allowance for uncollectibles)					
Subsequent Year Taxes	139,883	103,258	391,696	5,395	-
Accrued Interest	-	-	-	-	-
Other	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Due from Other Funds	-	176	920	42	35,710
Due from Other Governmental Agencies	-	-	-	-	56,457
Inventories	-	-	-	-	72,222
Total Assets	292,001	110,311	492,734	36,896	908,350
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	-	-	-	-	30,244
Accrued Wages	-	-	-	-	11,881
Other Accrued Expenses	-	-	-	-	467
Due to Other Funds	1,514	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	139,883	103,258	391,696	5,395	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	141,397	103,258	391,696	5,395	42,592
Fund Balances:					
Non-Spendable:					
Inventories	-	-	-	-	72,222
Permanent Fund	-	-	-	-	-
Restricted:					
Specific Tax Levy	150,604	7,053	101,038	31,501	-
Streets	-	-	-	-	793,536
Committed:					
Police Activities	-	-	-	-	-
Economic Development Activities	-	-	-	-	-
Community Development Activities	-	-	-	-	-
Specific Purposes	-	-	-	-	-
Assigned:					
Capital Projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	150,604	7,053	101,038	31,501	865,758
Total Liabilities and Equity	\$ 292,001	\$ 110,311	\$ 492,734	\$ 36,896	\$ 908,350

Special Revenue Funds								
Police/Fire Retirement	DARE	Seized Property	Police Reserve Fund	Economic Development Loan	WC Comm Rehabilitation Revolving Loan	Urban Renewal TIF Gourley	Urban Renewal TIF Riverview	
\$ -	\$ 761	\$ 449	\$ 2,917	\$ 565,911	\$ 88,592	\$ -	\$ 372	
-	-	-	-	600,000	-	-	-	-
201,731	-	-	-	-	-	17,212	-	-
-	-	-	-	675	40	-	-	-
-	-	-	-	69	-	-	-	-
-	-	-	-	110,214	62,158	-	-	-
-	-	-	-	101,376	912	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
201,731	761	449	2,917	1,378,245	151,702	17,212	372	
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
15,838	-	-	-	912	-	-	-	-
201,731	-	-	-	-	-	17,212	-	-
-	-	-	-	110,269	62,158	-	-	-
217,569	-	-	-	111,181	62,158	17,212	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	761	449	2,917	-	-	-	-	-
-	-	-	-	1,267,064	89,544	-	372	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(15,838)	-	-	-	-	-	-	-	-
(15,838)	761	449	2,917	1,267,064	89,544	-	372	
\$ 201,731	\$ 761	\$ 449	\$ 2,917	\$ 1,378,245	\$ 151,702	\$ 17,212	\$ 372	

CITY OF WEBSTER CITY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2012

	Special Revenue Funds				
	Urban Renewal TIF Hy-Vee	Urban Renewal TIF Brewer Creek	SSMID	Urban Renewal TIF Struchen	Urban Renewal TIF West Second
Assets					
Cash and Pooled Investments	\$ -	\$ 64,179	\$ 12,559	\$ -	\$ 43,927
Investments	-	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Subsequent Year Taxes	45,435	-	3,000	50,161	-
Accrued Interest	-	-	-	-	-
Other	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-	-
Inventories	-	-	-	-	-
Total Assets	45,435	64,179	15,559	50,161	43,927
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	-	-	-	-	-
Accrued Wages	-	-	-	-	-
Other Accrued Expenses	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	45,435	-	3,000	50,161	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	45,435	-	3,000	50,161	-
Fund Balances:					
Non-Spendable:					
Inventories	-	-	-	-	-
Permanent Fund	-	-	-	-	-
Restricted:					
Specific Tax Levy	-	64,179	12,559	-	43,927
Streets	-	-	-	-	-
Committed:					
Police Activities	-	-	-	-	-
Economic Development Activities	-	-	-	-	-
Community Development Activities	-	-	-	-	-
Specific Purposes	-	-	-	-	-
Assigned:					
Capital Projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	-	64,179	12,559	-	43,927
Total Liabilities and Equity	\$ 45,435	\$ 64,179	\$ 15,559	\$ 50,161	\$ 43,927

Special Revenue Funds						
Urban Renewal TIF Mitchell Marine	Hazard Mitigation	Urban Renewal TIF Southeast	Urban Renewal TIF Southwest	Urban Renewal TIF New Castle	Wilson Brewer Park Depot	Webster City Pride
\$ -	\$ -	\$ 75,438	\$ -	\$ -	\$ 8,759	\$ 2,942
-	-	-	-	-	-	-
4,179	-	-	64,844	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	7,275	-	-	-	-	-
-	-	-	-	-	-	-
4,179	7,275	75,438	64,844	-	8,759	2,942
-	-	-	-	-	5,000	-
-	-	-	-	-	-	-
-	-	101,376	398,008	-	-	-
4,179	-	-	64,844	-	-	-
-	-	-	-	-	-	-
4,179	-	101,376	462,852	-	5,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	3,759	2,942
-	7,275	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(25,938)	(398,008)	-	-	-
-	7,275	(25,938)	(398,008)	-	3,759	2,942
\$ 4,179	\$ 7,275	\$ 75,438	\$ 64,844	\$ -	\$ 8,759	\$ 2,942

CITY OF WEBSTER CITY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2012

	Special Revenue Funds			Capital Project Funds	
	Urban Renewal TIF Bean	Urban Renewal TIF 1st State	Urban Renewal TIF Fareway	Brewer Creek Estates	Bridge Project
Assets					
Cash and Pooled Investments	\$ 2,883	\$ -	\$ -	\$ 22,622	\$ 3,867
Investments	-	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Subsequent Year Taxes	-	7,753	-	-	-
Accrued Interest	-	-	-	-	-
Other	-	-	-	-	-
Notes Receivable	-	-	-	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-	-
Inventories	-	-	-	-	-
Total Assets	<u>2,883</u>	<u>7,753</u>	<u>-</u>	<u>22,622</u>	<u>3,867</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	-	1,500	-	-	3,867
Accrued Wages	-	-	-	-	-
Other Accrued Expenses	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	7,753	-	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>9,253</u>	<u>-</u>	<u>-</u>	<u>3,867</u>
Fund Balances:					
Non-Spendable:					
Inventories	-	-	-	-	-
Permanent Fund	-	-	-	-	-
Restricted:					
Specific Tax Levy	2,883	-	-	-	-
Streets	-	-	-	-	-
Committed:					
Police Activities	-	-	-	-	-
Economic Development Activities	-	-	-	-	-
Community Development Activities	-	-	-	-	-
Specific Purposes	-	-	-	-	-
Assigned:					
Capital Projects	-	-	-	22,622	-
Unassigned	-	(1,500)	-	-	-
Total Fund Balances	<u>2,883</u>	<u>(1,500)</u>	<u>-</u>	<u>22,622</u>	<u>-</u>
Total Liabilities and Equity	<u>\$ 2,883</u>	<u>\$ 7,753</u>	<u>\$ -</u>	<u>\$ 22,622</u>	<u>\$ 3,867</u>

Capital Project Funds							Permanent	Total
Wilson Ave Bridge Improvements	1999 Sidewalk Improvements	Annual Street Maintenance	Superior Fairmeadow Traffic Signal	Capital Improvement Reserve	Railroad Crossing Bicentennial	City Hall Plaza	Perpetual Care Fund	Governmental Nonmajor Funds
\$ 5,926	\$ 53,005	\$ 172,544	\$ 2,737	\$ 373,923	\$ 149	\$ -	\$ 409,428	\$ 2,771,423
-	-	-	-	-	-	-	-	777,000
-	-	-	-	-	-	-	-	1,034,547
-	-	-	-	2,119	-	-	-	2,834
-	-	-	-	-	-	-	-	69
-	-	-	-	-	-	-	-	172,372
-	-	-	-	350,000	-	-	-	489,136
-	-	-	-	57,448	-	-	-	121,180
-	-	-	-	-	-	-	-	72,222
5,926	53,005	172,544	2,737	783,490	149	-	409,428	5,440,783
-	760	130,762	-	177,970	-	155	-	350,258
-	-	-	-	-	-	-	-	11,881
-	-	-	-	-	-	-	-	467
-	-	-	-	-	-	-	-	517,648
-	-	-	-	-	-	-	-	1,034,547
-	-	-	-	-	-	-	-	172,427
-	760	130,762	-	177,970	-	155	-	2,087,228
-	-	-	-	-	-	-	-	72,222
-	-	-	-	-	-	-	409,428	409,428
-	-	-	-	-	-	-	-	413,744
-	-	-	-	-	-	-	-	793,536
-	-	-	-	-	-	-	-	4,127
-	-	-	-	-	-	-	-	1,356,980
-	-	-	-	-	-	-	-	6,701
-	-	-	-	-	-	-	-	7,275
5,926	52,245	41,782	2,737	605,520	149	-	-	730,981
-	-	-	-	-	-	(155)	-	(441,439)
5,926	52,245	41,782	2,737	605,520	149	(155)	409,428	3,353,555
\$ 5,926	\$ 53,005	\$ 172,544	\$ 2,737	\$ 783,490	\$ 149	\$ -	\$ 409,428	\$ 5,440,783

CITY OF WEBSTER CITY, IOWA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Governmental Nonmajor Funds

For the Year Ended June 30, 2012

	Special Revenue Funds				
	FICA/ IPERS	Worker's Compensation	Medical/Flex Insurance	Unemployment Compensation	Road Use Tax
Revenue:					
Taxes	\$ 176,550	\$ 72,229	\$ 370,497	\$ 16,707	\$ -
Intergovernmental Revenue	-	-	-	-	762,930
Contributions	-	-	-	-	-
Refunds/Reimbursements	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	4,521	-	-	-
Total Revenue	176,550	76,750	370,497	16,707	762,930
Expenditures:					
Public Safety	47,470	76,981	240,145	9,320	-
Public Works	48,014	11,371	60,409	2,955	556,102
Culture and Recreation	62,773	13,444	72,585	4,404	-
Community and Economic Development	5,925	265	15,927	381	-
General Government	17,328	582	20,622	999	-
Capital Projects	-	-	-	-	-
Total Expenditures	181,510	102,643	409,688	18,059	556,102
Excess (deficiency) of revenues over expenditures	(4,960)	(25,893)	(39,191)	(1,352)	206,828
Other financing sources (uses):					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	(145,347)
Total other financing sources (uses)	-	-	-	-	(145,347)
Net Change in Fund Balance	(4,960)	(25,893)	(39,191)	(1,352)	61,481
Fund balances (deficits) -beginning of year	155,564	32,946	140,229	32,853	804,277
Fund balances (deficits) - end of year	\$ 150,604	\$ 7,053	\$ 101,038	\$ 31,501	\$ 865,758

Special Revenue Funds								
Police/Fire Retirement	DARE	Seized Property	Police Reserve Fund	Economic Development Loan	WC Comm Rehabilitation Revolving Loan	Urban Renewal TIF Gourley	Urban Renewal TIF Riverview	
\$ 155,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,761	\$ 136,518	
-	-	-	-	-	-	-	-	
-	2,135	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	4,895	1,343	-	-	
-	-	408	500	21,955	17,336	-	-	
155,502	2,135	408	500	26,850	18,679	15,761	136,518	
206,808	1,324	41	380	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	16,522	-	10,352	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
206,808	1,324	41	380	16,522	-	10,352	-	
(51,306)	811	367	120	10,328	18,679	5,409	136,518	
-	-	-	-	22,758	-	-	-	
-	-	-	-	-	-	(5,409)	(137,385)	
-	-	-	-	22,758	-	(5,409)	(137,385)	
(51,306)	811	367	120	33,086	18,679	-	(867)	
35,468	(50)	82	2,797	1,233,978	70,865	-	1,239	
\$ (15,838)	\$ 761	\$ 449	\$ 2,917	\$ 1,267,064	\$ 89,544	\$ -	\$ 372	

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2012

	Special Revenue Funds				
	Urban Renewal TIF Hy-Vee	Urban Renewal TIF Brewer Creek	SSMID	Urban Renewal TIF Struchen	Urban Renewal TIF West Second
Revenue:					
Taxes	\$ 45,435	\$ -	\$ 2,955	\$ 45,526	\$ -
Intergovernmental Revenue	-	-	-	-	-
Contributions	-	-	-	-	-
Refunds/Reimbursements	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	275	-	-
Total Revenue	45,435	-	3,230	45,526	-
Expenditures:					
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Community and Economic Development	45,435	-	12,699	32,402	-
General Government	-	-	-	-	-
Capital Projects	-	-	-	-	-
Total Expenditures	45,435	-	12,699	32,402	-
Excess (deficiency) of revenues over expenditures	-	-	(9,469)	13,124	-
Other financing sources (uses):					
Transfers In	-	-	514	-	-
Transfers Out	-	-	-	(17,349)	-
Total other financing sources (uses)	-	-	514	(17,349)	-
Net Change in Fund Balance	-	-	(8,955)	(4,225)	-
Fund balances (deficits) -beginning of year	-	64,179	21,514	4,225	43,927
Fund balances (deficits) - end of year	\$ -	\$ 64,179	\$ 12,559	\$ -	\$ 43,927

Special Revenue Funds						
Urban Renewal TIF Mitchell Marine	Hazard Mitigation	Urban Renewal TIF Southeast	Urban Renewal TIF Southwest	Urban Renewal TIF New Castle	Wilson Brewer Park Depot	Webster City Pride
\$ 4,179	\$ -	\$ -	\$ 7,266	\$ 54,985	\$ -	\$ -
-	39,620	-	-	-	-	-
-	-	-	-	-	5,615	3,246
-	-	-	-	-	-	-
-	9,657	-	-	-	616	-
4,179	49,277	-	7,266	54,985	6,231	3,246
-	-	-	-	-	-	-
-	37,375	-	-	-	-	-
-	-	-	-	-	5,000	-
4,179	-	-	-	54,985	-	5,926
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,179	37,375	-	-	54,985	5,000	5,926
-	11,902	-	7,266	-	1,231	(2,680)
-	296	-	-	-	-	-
-	-	-	(7,266)	-	-	-
-	296	-	(7,266)	-	-	-
-	12,198	-	-	-	1,231	(2,680)
-	(4,923)	(25,938)	(398,008)	-	2,528	5,622
\$ -	\$ 7,275	\$ (25,938)	\$ (398,008)	\$ -	\$ 3,759	\$ 2,942

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
June 30, 2011

	Special Revenue Funds			Capital Project Funds	
	Urban Renewal TIF Bean	Urban Renewal TIF 1st State	Urban Renewal TIF Fareway	Brewer Creek Estates	Bridge Project
Revenue:					
Taxes	\$ 2,883	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	-	-	-	-
Contributions	-	-	-	-	-
Refunds/Reimbursements	-	1,913	3,733	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenue	2,883	1,913	3,733	-	-
Expenditures:					
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Community and Economic Development	-	3,413	3,733	-	-
General Government	-	-	-	-	-
Capital Projects	-	-	-	-	93,469
Total Expenditures	-	3,413	3,733	-	93,469
Excess (deficiency) of revenues over expenditures	2,883	(1,500)	-	-	(93,469)
Other financing sources (uses):					
Transfers In	-	-	-	-	93,469
Transfers Out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	93,469
Net Change in Fund Balance	2,883	(1,500)	-	-	-
Fund balances (deficits) -beginning of year	-	-	-	22,622	-
Fund balances (deficits) - end of year	\$ 2,883	\$ (1,500)	\$ -	\$ 22,622	\$ -

Capital Project Funds							Permanent	Total
Wilson Ave Bridge Improvements	1999 Sidewalk Improvements	Annual Street Maintenance	Superior Fairmeadow Traffic Signal	Capital Improvement Reserve	Railroad Crossing Bicentennial	City Hall Plaza	Perpetual Care Fund	Governmental Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ 660,836	\$ -	\$ -	\$ -	\$ 1,767,829
-	-	-	-	-	-	-	-	802,550
-	-	-	-	-	-	-	-	10,996
-	-	-	-	-	-	-	-	5,646
-	-	-	-	947	-	-	-	7,185
-	-	100	13,080	15,742	-	-	6,006	90,196
-	-	100	13,080	677,525	-	-	6,006	2,684,402
-	-	-	-	-	-	-	-	582,469
-	-	-	-	-	-	-	-	716,226
-	-	-	-	-	-	-	-	158,206
-	-	-	-	-	-	-	-	212,144
-	-	-	-	-	-	-	-	39,531
277	1,645	232,458	-	255,086	-	-	-	582,935
277	1,645	232,458	-	255,086	-	-	-	2,291,511
(277)	(1,645)	(232,358)	13,080	422,439	-	-	6,006	392,891
-	-	300,000	-	-	-	-	-	417,037
-	-	-	-	(300,000)	-	-	-	(612,756)
-	-	300,000	-	(300,000)	-	-	-	(195,719)
(277)	(1,645)	67,642	13,080	122,439	-	-	6,006	197,172
6,203	53,890	(25,860)	(10,343)	483,081	149	(155)	403,422	3,156,383
\$ 5,926	\$ 52,245	\$ 41,782	\$ 2,737	\$ 605,520	\$ 149	\$ (155)	\$ 409,428	\$ 3,353,555

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds
June 30, 2012

	Trust Funds					Agency Fund	Totals
	Joe E. Barr Trust	Edgar Foster Trust	Calvary Cemetery Trust	Zella Silvers Trust	Mulberry Church Trust	RAGBRAI	
ASSETS							
Cash and Cash Equivalents	\$ 1,826	\$ 2,115	\$ 5,000	\$ 3,103	\$ 5,121	\$ 18,229	\$ 35,394
Total Assets	1,826	2,115	5,000	3,103	5,121	18,229	35,394
LIABILITIES							
Accounts Payable	-	-	-	-	3,339	140	3,479
Other Payables	-	-	-	-	-	18,089	18,089
Total Liabilities	-	-	-	-	3,339	18,229	21,568
NET ASSETS							
Unrestricted	1,826	2,115	5,000	3,103	1,782	-	13,826
Total Net Assets	\$ 1,826	\$ 2,115	\$ 5,000	\$ 3,103	\$ 1,782	\$ -	\$ 13,826

CITY OF WEBSTER CITY, IOWA
COMBINING STATEMENT OF CHANGES IN NET ASSETS
Fiduciary Funds
For the Year Ended June 30, 2012

	Trust Funds					
	Joe E. Barr Trust	Edgar Foster Trust	Calvary Cemetery Trust	Zella Silvers Trust	Mulberry Church Trust	Totals
Additions						
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ 8,781	\$ 8,781
Deductions						
Culture and Recreation	25	25	-	25	18,049	18,124
Changes in Net Assets	(25)	(25)	-	(25)	(9,268)	(9,343)
Net Assets Beginning of Year	1,851	2,140	5,000	3,128	11,050	23,169
Net Assets End of Year	\$ 1,826	\$ 2,115	\$ 5,000	\$ 3,103	\$ 1,782	\$ 13,826

SUPPLEMENTARY INFORMATION

CITY OF WEBSTER CITY, IOWA
Schedule of Findings
For the Year Ended June 30, 2012

Part I: Summary of the Independent Auditors' Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Material Weakness:

II-A-12 Financial Reporting

Observation - During the audit, we identified material amounts of receivables and payables not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables and payables are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables and payables.

Conclusion – Response accepted.

Part III: Other Findings Related to Statutory Reporting:

III-A-12 - Certified Budget – Disbursements during the year ended June 30, 2012, exceeded the amounts budgeted in the Public Safety, Capital Projects and Business-type Activities functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

CITY OF WEBSTER CITY, IOWA
Schedule of Findings
For the Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting:

IV-B-12 - Questionable Expenditures - We noted no questionable expenditures during our audit.

IV-C-12 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 - Business Transactions – Business transactions between the City and City officials are detailed as follows:

Name, Title and Business Connection	Transaction/Description	Amount
Zehner Safety – Don Zehner, Fireman	Retailer	\$ 110
Tile Pros, Inc. – Brandon Hayes, Fireman	Retailer	\$10,337

The transaction with Don Zehner does not represent a conflict of interest. The transaction with Brandon Hayes does not represent a conflict as \$7,860 of the total was competitively bid.

IV-E-12 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-12 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.

IV-G-12 - Revenue Bonds - No violations of revenue bond resolutions were noted.

IV-H-12 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, Members of the City Council
City of Webster City, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of the CITY OF WEBSTER CITY, IOWA as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

Management of the City of Webster City, Iowa, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Webster City, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Webster City, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Webster City, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item II-A-12 to be a material weakness.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City of Webster City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do

not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Webster City, Iowa's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Webster City, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of management, City Council, others within the entity, and is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

William & Company, P.C.

Certified Public Accountants

December 7, 2012
Le Mars, Iowa